

NOT FOR PUBLICATION UNTIL
RELEASED BY THE
SUBCOMMITTEE ON MILITARY CONSTRUCTION
SENATE APPROPRIATIONS COMMITTEE

JOINT STATEMENT OF

THE HONORABLE DENNIS V. McGINN
ASSISTANT SECRETARY OF NAVY
(ENERGY, INSTALLATIONS, AND ENVIRONMENT)

VICE ADMIRAL WILLIAM D. FRENCH
COMMANDER, NAVY INSTALLATIONS COMMAND

and

MAJOR GENERAL JUAN G. AYALA
COMMANDER, MARINE CORPS INSTALLATIONS COMMAND

BEFORE THE

SUBCOMMITTEE ON MILITARY CONSTRUCTION,
VETERANS AFFAIRS, AND RELATED AGENCIES

of the

SENATE APPROPRIATIONS COMMITTEE

09 APRIL 2014

NOT FOR PUBLICATION UNTIL
RELEASED BY THE
SUBCOMMITTEE ON MILITARY CONSTRUCTION
SENATE APPROPRIATIONS COMMITTEE

Chairman Johnson, Senator Kirk, and members of the Subcommittee, I am pleased to appear before you today to provide an overview of the Department of the Navy's (DoN's) investment in its shore infrastructure.

The Challenge of "Forward Presence" & Achieving Balanced Investments

From our Nation's infancy, the United States Navy and Marine Corps Team has operated far from our shores to protect our vital security and economic interests. "Forward presence" is no less important today than in 1802 when Congress authorized President Jefferson to "employ such of the armed vessels of the United States as may be judged requisite... for protecting effectually the commerce and seamen thereof on the Atlantic ocean, the Mediterranean and adjoining seas." The nature of today's threats, however, is far more lethal and insidious than two hundred years ago. The means and methods available to those who wish us harm range in sophistication from advanced nuclear and cyber weaponry to improvised explosive devices detonated by cell phone. Our Navy and Marine Corps must be manned, trained, and equipped to deter and respond to belligerent actors wherever, whenever, and however they strike.

Yet the fiscal imperative to reduce the Nation's debt and control the deficit introduces additional complexity as the Department strives to strike the right balance of resources, risk, and strategy. The DoN's President's Budget for Fiscal Year 2015 (PB 2015) supports the 2014 Quadrennial Defense Review, which embodies key elements of the 2012 Defense Strategic Guidance and is informed by the Strategic Choices and Management Review completed last year. Fortunately, prudent infrastructure investments made in prior years will enable the Department to achieve forward presence without undermining the shore establishment *in the near term*. We welcome the additional flexibility Congress provided in the Balanced Budget Act of 2013, but challenges remain.

Investing in Our Infrastructure

Overview Our installations provide the backbone of support for our maritime forces, enabling their forward presence. The Department is requesting \$10.5 billion in various appropriations accounts, a reduction of \$1.6 billion from amounts appropriated in FY 2014 to operate, maintain and recapitalize our shore infrastructure. Figure 1 provides a comparison between the FY 2014 enacted budget and the PB 2015 request by appropriation.

Statement of the HON. Dennis V. McGinn ~ SAC-M Budget Hearing

Category	FY 2014 <i>enacted</i> (\$M)	PB 2015 (\$M)	Delta (\$M)	Delta (%)
Military Construction, Active + Reserve	1,659	1,070	-589	-35.5%
Family Housing, Construction	73	16	-57	-78.1%
Family Housing Operations	379	354	-25	-6.6%
BRAC ¹	145	95	-50	-34.5%
Sustainment Restoration & Modernization (O&M)	2,545	2,135	-410	-16.1%
Base Operating Support	7,015	6,590	-425	-6.1%
Environmental Restoration, Navy	316	277	-39	-12.3%
¹ Prior funds will also support FY2015 BRAC activities				
TOTAL	12,132	10,537	-1,595	-13.1%

Figure 1: DoN Infrastructure Funding by Appropriation

While the overall FY 2015 budget request represents an appreciable reduction from previous years, it demonstrates continued investment to enhance Combatant Commanders' capabilities, continue support for the introduction of new weapons systems and platforms, maintain service member and family quality of life, and recapitalize aging infrastructure. The FY2015 budget also manifests the Department's commitment to energy security by funding cost effective efforts that will improve our energy infrastructure and reduce our consumption.

Military Construction Our FY 2015 President's Budget Request of just over \$1 billion supports several key objectives of 2014 Quadrennial Defense Review. For instance, the Navy and Marine Corps are investing approximately \$181 million to *enhance warfighting capabilities in the Asia-Pacific region* including: facilities that will support current and future Marine Corps training requirements on Guam (\$51 million); modifications to existing facilities that enables the Marine Corps to relocate its unmanned aerial vehicle squadron to Marine Corps Base Hawaii (\$51 million); and a submarine training facility at Joint Base Pearl Harbor-Hickam, Hawaii (\$9.7 million).

Additionally, the Navy is investing over \$80.3 million in projects such to support the basing of the new P-8A Poseidon in Washington State (\$24.4 million) and Florida (\$21.7 million) that will ensure the United States remains capable of *projecting power in anti-access and area denial environments*. The fourth and final increment of the Explosive Handling Wharf (\$83.8 million) at Naval Submarine Base Bangor and the Transit Protection System at Port Angeles (\$20.6 million), both in Washington state, support the objective of *maintaining a safe, secure, and effective nuclear deterrent*.

Finally, the Department is investing \$81 million in laboratories and testing facilities to *sustain key streams of innovation and maintain our technological advantage over potential adversaries.*

The Department continues efforts to reduce our energy costs. The FY 2015 request includes \$47 million to decentralize steam plants at Naval Base San Diego, installing new gas-fired energy efficient space and domestic water-heating systems for 10 piers and approximately 45 buildings. Additionally, the Department will benefit from nearly \$55 million in energy and water conservation projects funded through the Defense-Wide Energy Conservation Investment Program. These funds will increase sources of cost effective renewable energy (\$14.6 million); improve water conservation efforts (\$2.4 million); and increase energy efficiency in many other locations (\$30.7 million). While the Department plans to invest another \$271 million of operations and maintenance funding in shore energy projects; however, the reduction of \$930 million in SRM/O&M and Base Operating Support (Figure 1 above) from the FY 2014 levels—and compounded by the FY 2013 sequester—will make the statutory energy intensity goals more difficult to achieve. Moreover, reduced investments in energy projects *now* will result in lost opportunity for savings in the future, higher utility costs and, ultimately, reduced readiness as funds are diverted to pay these bills.

Facilities Sustainment, Restoration and Modernization (FSRM) The Department of Defense uses a Facilities Sustainment Model to calculate life cycle facility maintenance and repair costs. Using industry-wide standard costs for various types of buildings and geographic areas, the model is updated annually. Sustainment funds in the operation and maintenance accounts are used to maintain facilities in their current condition. The funds also pay for preventative maintenance, emergency response to minor repairs, and major repairs or replacement of facility components (e.g. roofs, and heating and cooling systems).

The Navy budgeted \$1.3 billion (70 percent of the model) in FY 2015, an increase of \$62 million (7%) enabled by the additional topline provided in the Balanced Budget Act of 2013. The Marine Corps funds sustainment at 75 percent of the model (\$498.8 million), dropping below the DoD goal for the first time since the criteria was established. Both Services will manage the risk to its shore infrastructure by prioritizing work to address life-safety issues and mission-critical facilities in poor condition.

Restoration and Modernization provides major upgrades of our facilities. In FY 2015, the Department of the Navy proposes a total investment of \$1 billion to restore and

modernize existing infrastructure: \$427 million in Military Construction projects, \$361 million in Operation and Maintenance funds, and \$216 million in Working Capital funds.

Investing in Our People

Overview The strength of our Navy-Marine Corps team lies not in advanced weaponry or faster, stealthier ships and aircraft. Our naval forces derive their strength from the Sailors and Marines who fire the weapon, operate and maintain the machinery, or fly the plane, and from the families and civilians supporting them. We continue to provide the best education, training, and training environments available so our forces can develop professionally and hone their martial skills. Providing quality of life is a determining factor to recruiting and retaining a highly professional force. To this end, we strive to give our people access to high-quality housing, whether government-owned, privatized, or in the civilian community, that is suitable, affordable, and located in a safe environment.

Training and Education Of the \$1 billion request for military construction, the Navy and Marine Corps together have programmed over \$301 million in operational and technical training and academic facilities. For example, the Navy will construct facilities to support training for the Littoral Combat Ships homeported at Naval Station Mayport (\$20.5 million) and will continue efforts begun in FY 2014 to accommodate increased student loading at the Nuclear Power Training Unit in South Carolina (\$35.7 million). Finally, the Department will construct a Cyber Securities Studies Building (\$120.1 million) at the U.S. Naval Academy to develop sophisticated and technically savvy Navy and Marine Corps officers able to leverage our strategic advantage in the cyber domain.

Unaccompanied Housing The Navy plans to make \$35 million in operations & maintenance-funded repairs to its bachelor housing inventory, focusing on the barracks in the worst condition. The Marine Corps completed its program of substantial investment in unaccompanied housing in support of the Commandant's Barracks Initiative. Its FY 2015 investment will provide new berthing facilities at Naval Weapons Station, Yorktown, Virginia, enabling the Marine Corps Security Force Regiment and its Fleet Antiterrorism Security Teams to continue consolidating various elements that are dispersed within the Hampton Roads area.

Family Housing The Department continues to rely on the private sector as the primary source of housing for Sailors, Marines, and their families. When suitable, affordable, private housing is not available in the local community, the Department relies on government-owned, privatized, or leased housing. The FY 2015 budget request of \$370

million supports Navy and Marine Corps family housing operation, maintenance, and renovation requirements, including \$16 million to revitalize 44 homes at Marine Corps Air Station Iwakuni, Japan. The budget request also includes \$260.2 million that will provide for the daily operation, maintenance, and utilities expenses necessary to manage its military family housing inventory.

To date, over 60,000 Navy and Marine Corps family housing units have been privatized through the Military Housing Privatization Initiative. As a result, the Department has leveraged its resources to improve living conditions for the majority of Sailors, Marines, and their families. The Department has programmed \$27.9 million to provide oversight and portfolio management for over 63,000 privatized homes to ensure the Government's interests remain protected and quality housing continues to be provided to military families. Although the Navy and Marine Corps have identified several remaining phases associated with existing projects, no funds are requested in the FY 2015 budget.

Managing Our Footprint

Overview It is a basic tenet that the Department of Defense should own or remove from public domain only the minimum amount of land necessary to meet national security objectives. Coupled with the fiscal imperative to conserve resources, especially in this era of deficit reduction, the Department of the Navy (DoN) has more than enough incentive to reduce its footprint both at home and abroad.

European Consolidation The DoN is completing its evaluation of various basing scenarios, including joint use, at its four primary bases in Europe: Naval Station Rota, Naval Air Station Sigonella, and the Naval Support Activities in Naples and Souda Bay. These analyses will inform the basis for DoD recommendations that are expected to be released in Spring 2014.

Base Closure and Realignment (BRAC) With respect to consolidating our domestic infrastructure, the Base Realignment and Closure process offers the best opportunity to assess and evaluate opportunities to properly align our domestic infrastructure with our evolving force structure and laydown, and the Department of the Navy (DoN) supports the Administration's request to authorize a single round of BRAC in 2017. Since the first round of BRAC in 1988, the DoN has closed 186 domestic installations and activities, including 52 major installations. Figure 2 demonstrates the evolution of the Department's force structure since 2005:

Year	Service	Battle Force Ships	Primary Authorized Aircraft-Active	Personnel-Active	Installations ¹
PB 2005	Navy	290	1402	365900	94
	USMC		995	175000	26
	Total		2397	540900	120
PB 2015	Navy	283	2331	323600	83
	USMC		1201	182700	25
	Total		3532	506300	108

¹ For ease of comparison, the number of current installations is adjusted to account for separate activities that are geographically proximate and now administered as a single base.

Figure 2: Force Structure vs. Number of Installations

The Department has programmed \$95 million and plans to utilize an additional \$43 million in prior year funds to continue environmental cleanup, caretaker operations, and property disposal. By the end of FY 2013, we had disposed 93 percent of our excess property identified in prior BRAC rounds through a variety of conveyance mechanisms with less than 14,000 acres remaining. Here are several examples of what we were able to achieve in the past year.

In May 2013, the Department conveyed 1,917 acres at the former Naval Station Roosevelt Roads to the Commonwealth of Puerto Rico Local Redevelopment Authority under an Economic Development Conveyance bringing the total property transferred to over 8,521 acres. The same month, the Department also conveyed the 118 acre Federal City West Property at Naval Support Activity New Orleans to the Algiers Development District. The remaining 24 acres of the East Bank Property was conveyed to the City of New Orleans via an Economic Development Conveyance in October 2013.

In June 2013, the Department completed the Phase I conveyance of 1,380 acres at the former Naval Air Station Alameda to the City of Alameda under a No-Cost Economic Development Conveyance. This conveyance is the first significant transfer of property at NAS Alameda since 2000.

Overall, the Navy continues to reduce its inventory of properties closed under BRAC. Of the original 131 installations with excess property, the Navy only has 21 installations remaining with property to dispose. We anticipate reducing this number by four installations this year, with the remainder to be disposed as we complete our environmental remediation efforts.

Statement of the HON. Dennis V. McGinn ~ SAC-M Budget Hearing

Under the previous BRAC efforts, the Navy has been able to realize approximately \$4.4 billion in annual recurring savings. BRAC 2005 alone resulted in approximately \$863 million in annual recurring savings. Although cleanup and disposal challenges from prior BRAC rounds remain, we continue to work with regulatory agencies and communities to tackle complex environmental issues and provide creative solutions to support redevelopment priorities, such as Economic Development Conveyances with revenue sharing.

Compatible Land Use The Department of the Navy has an aggressive program to promote compatible use of land adjacent to our installations and ranges, with particular focus on limiting incompatible activities that affect Navy and Marine Corps' ability to operate and train, and protecting important natural habitats and species. A key element of the program is Encroachment Partnering (EP), which involves cost-sharing partnerships with states, local governments, and conservation organizations to acquire interests in real property adjacent and proximate to our installations and ranges.

The Department of Defense provides funds through the Readiness and Environmental Protection Initiative (REPI) that are used in conjunction with Navy and Marine Corps O&M funds to leverage acquisitions and restrictive easements in partnership with states, local governments and non-governmental organizations. Figure 3 represents the activity and funding for restrictive easements the Department acquired in FY 2013:

	Expenditures in FY 2013 using Multiple FY funding (\$000)					Total Expenditures FY2005 through FY2013 (\$000)				
	FY 2013 Acres	DoD REPI (O&M)	Service (O&M)	Partner funds	Total Funds	Total Acres	DoD REPI (O&M)	Service (O&M)	Partner funds	Total Funds
Navy	8,593	3,808	631	10,403	14,842	24,899	45,719	6,330	59,146	111,195
Marine Corps	459	2,168	4,655	2,682	9,505	44,553	47,706	22,353	72,954	143,013
Totals	9,052	5,976	5,286	13,085	24,347	69,452	93,425	28,683	132,100	254,208

Figure 3: Restrictive Easements Acquired through Encroachment Partnering in FY 2012

Vital to the readiness of our naval forces is unencumbered access to critical land, water and air space adjacent to our facilities and ranges. The Department understands that energy exploration, on land and off-shore, plays a crucial role in our nation's security and are activities not necessarily incompatible with military training. However, we must continue to actively work to sustain freedom of maneuver or avoidance of restrictions to tactical action in critical range space to ensure the ability of naval forces to achieve the highest value from training and testing. As an active participant in the DoD Clearinghouse, the Department of the Navy assisted in the mission compatibility evaluation of 2,075 proposed energy projects submitted through the Federal Aviation Administration Obstacle Evaluation process during calendar year 2013. Ninety-six percent (1,992) of the projects were assessed to have little or no impact on military

operations. As of December 31, 2013, the remaining four percent (84 projects) were either still under review (76) or assessed to have sufficient adverse impact to military operations and readiness (8) to warrant establishment of a Mitigation Response Team (MRT). The MRTs were established to engage in mitigation discussions with the developer to determine whether agreements can be reached to prevent negative impacts to military training and readiness.

Relocating Marines to Guam

Overview Guam remains an essential part of the United States' larger Asia-Pacific strategy of achieving a more geographically distributed, operationally resilient and politically sustainable force posture in the region.

Moving Forward The Department appreciates the limited exceptions provided in the National Defense Authorization Act for FY 2014, as well as the authorization and appropriation of nearly \$86 million for construction of the Marine Corps hangar at the North Ramp of Andersen Air Force Base. Together, these provisions will enable the Relocation to stay on track and support current and future Marine Corps training activity in Guam and the Commonwealth of the Northern Marianas Islands. The scope of the ongoing Supplemental Environmental Impact Statement, which the Department expects to release a draft for public comment in Spring 2014, includes the live fire training range complex, alternatives for the location of the main cantonment area, family housing, and associated infrastructure. Presently, the Department anticipates signing a Record of Decision in Spring 2015.

The FY 2015 budget request includes funding for two military construction projects on Guam for a total investment of \$51 million: Ground Support Equipment Shops (\$21.9 million) and facilities for the Marine Wing Support Squadron (\$28.8 million). Both projects support current and future operations and were addressed in the Record of Decision signed in September 2010.

Finally, The United States and Japan are continuously looking for more efficient and effective ways to achieve the goals of the Realignment Roadmap. Toward this end, the Governor of Okinawa signed the landfill permit request to build the Futenma Replacement Facility (FRF) at Camp Schwab on December 26, 2013. While the U.S. and Japan no longer link the requirement of “tangible progress” on FRF construction to the relocation effort, this is another indication of Japan’s commitment to the Roadmap. Both countries remain steadfast in maintaining and enhancing a robust security alliance, and

the United States remains committed to enhancing the U.S.-Japan Alliance and strengthening operational capabilities.

Conclusion

Our Nation's Navy-Marine Corps team operates globally, having the ability to project power, effect deterrence, and provide humanitarian aid whenever and wherever needed to protect the interests of the United States. As the threats facing our nation continue to evolve, the fiscal reality creates its own challenges in striking the right balance. The Department's FY 2015 request supports critical elements of the 2014 Defense Quadrennial Review by making needed investments in our infrastructure and people; reducing our world-wide footprint; and preserving access to training ranges, afloat and ashore.

Thank you for the opportunity to testify before you today, I look forward to working with you to sustain the war fighting readiness and quality of life for the most formidable expeditionary fighting force in the world.